



## Deloitte Indonesia Business and Industry Updates

Taking stock of the COVID-19 pandemic in Indonesia

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More than nine months after the first confirmed COVID-19 case was reported in Indonesia on 2 March 2020<sup>1</sup>, the world's fourth most populous country continues to grapple with the monumental task of controlling the outbreak, while keeping its economy running as smoothly and safely as possible.

At this time of writing, Indonesia has experienced more than 840,000 confirmed COVID-19 cases and 24,500 deaths<sup>2</sup>, with a rolling 7-day average of about 7,000 daily confirmed cases at the end of 2020 (see Figure 1).

This is an unprecedented time for the economy, and even as some level of optimism rebounds with the launch of Indonesia's mass vaccination program on 13 January 2021<sup>3</sup>, there remains a significant amount of uncertainty regarding the economy and its recovery prospects.

Across the globe, the battle against COVID-19 continues. With the rollout of vaccination programs worldwide, it is perhaps timely to take stock of the pandemic's impacts on several key industries in Indonesia's economy, and the considerations that businesses will need to make as they look forward to a post-pandemic future.

**Figure 1: Rolling 7-day average of daily confirmed COVID-19 cases in Indonesia (March-December 2020)**



Source: Our World in Data, 2020.



<sup>1</sup>“Breaking: Jokowi announces Indonesia’s first two confirmed COVID-19 cases”. The Jakarta Post. 2 March 2020.

<sup>2</sup>“President Jokowi gets Sinovac jab to officially launch Indonesia’s COVID-19 vaccination programme”. Channel NewsAsia. 13 January 2021.

<sup>3</sup>“President Jokowi gets Sinovac jab to officially launch Indonesia’s COVID-19 vaccination programme”. Channel NewsAsia. 13 January 2021.

# Indonesia's fight against the pandemic

Following a wave of lockdowns by countries across the globe that began in March 2020<sup>4</sup>, Indonesia implemented the *Pembatasan Sosial Berskala Besar* (PSBB) or large-scale social restrictions in early April 2020, under the supervision of the Minister of Health<sup>5</sup> and in accordance with Government Regulation No. 21/2020 signed by President Joko Widodo.

Amongst the provinces, Jakarta was the first to implement the policy. However, implementation may vary across regions, with differing sets of policies on mobility restrictions and work-from-home orders imposed by provincial governments as deemed necessary for their jurisdictions. In recent months, it has become a common occurrence for cities to alternately halt and resume travel and other public activities in response to their evolving local COVID-19 situations.

At the same time, Indonesia is facing health care capacity constraints with a shortage of medical workers and low bed-to-patient ratios that already existed even before the onset of the pandemic. According to the Coordinating Minister for Economic Affairs Airlangga Hartanto, Indonesia's doctor-to-patient ratio of 0.5 doctors per 1,000 patients also continues to lag behind many other economies in the region, including China, Malaysia, Myanmar, Thailand, Timor-Leste, and Vietnam. As COVID-19 cases in areas such as Jakarta surged, occupancy rates of hospitals soared to more than 80 percent in the first week of January 2021<sup>6</sup>, significantly higher than the maximum rate of 60% recommended by the World Health Organisation (WHO)<sup>7</sup>.

With Indonesia's COVID-19 polymerase chain reaction (PCR) testing rates amongst some of the lowest in the world<sup>8</sup>, and significantly below the WHO target of one test per 1,000 people per week<sup>9</sup>, the government has been working on ramping up its testing capabilities in recent months. By early December 2020, Indonesia has since achieved about 96 percent of the WHO target<sup>10</sup>, with several local governments implementing mandatory testing for domestic travellers. Nevertheless, several concerns about the accuracy of the tests persist.



<sup>4</sup> "23 Negara Berlakukan Lockdown Guna Hentikan Penyebaran Virus Corona". Kompas.com. 30 March 2020.

<sup>5</sup> "Apa Itu PSBB hingga Jadi Upaya Pencegahan Covid-19". Kompas.com. 13 April 2020.

<sup>6</sup> "Kasus COVID Naik 2 Kali Lipat, RS Rujukan di DKI Makin Penuh". CNBC Indonesia. 7 January 2021.

<sup>7</sup> "Duh, Banyak RS Rujukan Covid-19 di Jakarta Kolaps". Bisnis.com 3 December 2020.

<sup>8</sup> "Indonesia Has 270 Million People – and One of the World's Lowest Covid-19 Testing Rate". The Wall Street Journal. 8 October 2020.

<sup>9</sup> Robert Sparrow, Teguh Dartanto, & Renate Hartwig. "Indonesia Under the New Normal: Challenges and the Way Ahead". Bulletin of Indonesian Economic Studies. 2020.

<sup>10</sup> "Indonesia's COVID-19 testing capacity approaching WHO's target: Task force". The Jakarta Post. 10 December 2020.

# Key role of vaccination program



Given the difficulties in controlling an outbreak over a large geographical area, health care capacity constraints, and limited testing capabilities, the nationwide vaccination program is therefore seen as one of the key measures by which transmission can be curbed. With the target of vaccinating around 180 million Indonesians from early 2021 to achieve herd immunity, President Joko Widodo has announced that the government will purchase some 329.5 million vaccine doses from various drug companies, to be received in stages until 2022<sup>11</sup>.

The first shipment of COVID-19 vaccines – totalling 1.2 million doses produced by the China-based biopharmaceutical company Sinovac – arrived in Indonesia in early December 2020<sup>12</sup>. This was shortly followed by a subsequent shipment of around 1.8 million doses<sup>13</sup>, and another shipment of raw materials for the production of 15 million doses<sup>14</sup>.

In responses to several issues raised about the low coverage of its vaccination program, the government has since announced its decision to make the vaccine available for free to all Indonesians<sup>15</sup>. This was driven at least in part by a previous survey conducted by the Ministry of Health, which revealed that of the 65 percent of survey respondents who were willing to be vaccinated, only one-third of them were willing to pay for it<sup>16</sup>.

Home to the world's largest Muslim population, the issue of whether the vaccine can be considered halal was also one of the issues that the government had to resolve. After conducting a study on the vaccine, the *Majelis Ulama Indonesia* (MUI) or Indonesian Ulema Council issued a fatwa on 8 January 2021 declaring the vaccine produced by Sinovac to be halal<sup>17</sup>.

Shortly after, the *Badan Pengawas Obat dan Makanan* (BPOM), or the national agency for food and drug control, issued the emergency use authorisation for the Sinovac vaccine on 11 January 2021<sup>18</sup>. This paved the way for the launch of the national vaccination program, which launched on 13 January 2021 with the first jab administered to President Joko Widodo.

<sup>11</sup> "Perkembangan Vaksinasi COVID-19 di Indonesia dari Pendistribusian Vaksin hingga Tahapannya". Kompas.com. 7 January 2021.

<sup>12</sup> "First batch of COVID-19 vaccine lands in Indonesia". The Jakarta Post. 7 December 2020.

<sup>13</sup> "1,8 Juta Dosis Vaksin Sinovac Datang, Berapa Kebutuhan COVID-19 Indonesia". Kompas.com. 1 January 2021.

<sup>14</sup> "15 mln doses of raw materials of Sinovac COVID-19 vaccine arrive in Indonesia". Xinhua. 1 December 2020.

<sup>15</sup> "Jokowi: Vaksin Corona untuk Masyarakat Gratis". CNN Indonesia. 16 December 2020.

<sup>16</sup> "Only one in three Indonesians willing to pay for vaccine: Survey". The Jakarta Post. 15 December 2020.

<sup>17</sup> "MUI: Vaksin COVID-19 dari Sinovac Suci dan Halal". Kompas.com. 8 January 2021.

<sup>18</sup> "BPOM Resmi Terbitkan Izin Darurat Vaksin COVID Sinovac". CNN Indonesia. 11 January 2021.

# Industry perspectives

From a business perspective, we have observed the COVID-19 pandemic causing significant disruptions to many of Indonesia's key sectors over the last few months, including but not limited to the following:



- **Retail and hospitality**

To reduce the risk of transmission during the year-end holiday period, the government decided to reduce the number of collective leave days<sup>19</sup>, with the areas of Jakarta, Bekasi, and Tangerang also imposing restrictions on operational hours for certain public areas, such as restaurants, malls, and shops<sup>20</sup>. This has had a significant impact on many businesses in the hospitality sector, for whom the year-end holiday period is an important source of annual revenues.

As the consumer industry is a significant contributor to the non-oil and gas component of the nation's gross domestic product, any impact on its sectors will ultimately have significant economic repercussions on Indonesia's overall economy<sup>21</sup>. In view of this, the government is currently disbursing support packages for restaurants and hotels to help them to stay afloat during this difficult period. In November 2020 alone, at least 1,270 restaurants in Jakarta have submitted proposals for this support package<sup>22</sup>.

But beyond short-term concerns, businesses should also take into consideration some of the shifts in consumer behaviours catalysed by the pandemic – many of which may be here to stay. These include, for example, the growing preference for healthier options and increasing focus on food safety, especially in larger Indonesian cities<sup>23</sup>.

“Many of the changes in consumer behaviours that we observed during the pandemic are not merely temporary fads: they are likely to be long-term – if not permanent – shifts that consumer companies will need to adapt to. While this will no doubt be a challenging endeavour, it also presents many untapped opportunities for businesses. To capitalise on this, companies will need to be closely attuned to how the macro trends play out in each of their specific segments and geographies, given Indonesia's large and diverse population across the archipelago.”

**Maria Christi**  
**Consumer Industry Leader,**  
**Deloitte Indonesia**

<sup>19</sup> “Pemerintah Keluarkan SKB 3 Menteri, Hapus Tiga Hari Cuti Bersama”. Sekretariat Kabinet Republik Indonesia. 2 December 2020.

<sup>20</sup> “Mal dan Restoran di Jakarta Tutup Pukul 19.00 WIB Besok”. Kompas.com. 30 December 2020.

<sup>21</sup> “Kemenperin pacu peningkatan utilisasi industri makanan dan minuman”. Antara. 26 November 2020.

<sup>22</sup> “406 Hotel dan 1.270 Restoran Ajukan Permohonan Dana Hibah Pariwisata”. Merdeka. 24 November 2020.

<sup>23</sup> “Impact of COVID-19 on the food and beverage sector in Indonesia”. Deloitte. 2020.

• **Mining**

The COVID-19 pandemic has dealt a huge blow to global energy demand over the past year, with observers in the industry only anticipating some semblance of recovery to coal demand and prices in the second half of 2021, as most countries around the world focus their efforts on the distribution of the COVID-19 vaccine in the first half of the year<sup>24</sup>.

Following an initial struggle to meet production targets, Indonesia managed to achieve 94 percent of the target for 2020 as of 10 December 2020<sup>25</sup>. With the gradual recovery of coal prices, Indonesia's full-year non-tax revenue from coal and mineral resources

(Minerba) is likely to come in at around IDR34 trillion for 2020, above the revised target of IDR31.41 trillion<sup>26</sup>. In terms of the coal output target for 2021, the government has currently kept it unchanged at 550 million tons<sup>27</sup>.

Of particular note is also the introduction of Law No. 3/2020 (the "New Mining Law") which may result in significant legal, tax, and financial reporting implications for mining companies. While the relevant implementing regulations have yet to be released, mining companies will need to begin anticipating and preparing for their potential impacts.

"The rollout of COVID-19 vaccines worldwide is crucial for the rebound of economies and, by extension, the recovery of global energy demand and coal prices. There are, however, numerous dynamic factors at play in each of Indonesia's major coal export markets, and mining companies must remain vigilant to ensure their own long-term viability."

**Cindy Sukiman**  
**Energy, Resource & Industrials**  
**Industry Leader,**  
**Deloitte Indonesia**



<sup>24</sup> "Indonesian coal exporters don't expect 'real recovery' until H2 next year". The Jakarta Post. 2 November 2020.

<sup>25</sup> "Target Produksi Batubara Tahun Depan Tetap Dipatok 550 Juta Ton, Ini Sebabnya". Kontan. 10 December 2020.

<sup>26</sup> "Harga Komoditas Naik, PNPB Minerba ditaksir Tembus Rp 34 Triliun hingga Akhir Tahun". Kontan. 11 December 2020.

<sup>27</sup> "Target Produksi Batubara Tahun Depan Tetap Dipatok 550 Juta Ton, Ini Sebabnya". Kontan. 10 December 2020.

### • Digital payments

If there is a silver lining of the pandemic, it would be the inadvertent acceleration of Indonesia's digital economy and e-commerce sector. According to the Coordinating Ministry of Economic Affairs' Deputy Minister for Digital Economy, Manpower, and MSMEs Competitiveness, Rudy Salahuddin, participants in Indonesia's digital economy increased by about 37 percent during the pandemic; furthermore, more than 90 percent of participants indicated that they intend to continue to rely on the digital economy even when the outbreak ends<sup>28</sup>.

As consumers increasingly went digital, digital payment methods also experienced a rapid increase in uptake. For example, statistics from Indonesia's Fintech Association (AFTECH) reveal that the number of digital payment accounts grew by a year-on-year growth rate of about 84 percent to reach about 360 million in July 2020<sup>29</sup>.

This is due at least in part to the introduction of the Quick Response Code Indonesia Standard (QRIS)<sup>30</sup> by Bank Indonesia, which provides micro, small, and medium enterprises (MSMEs) with an inexpensive way to conduct digital payment transactions. Based on the international QR code standard developed by EMVCo, this QR-based payment system differs from generic link-based QR codes because they do not come with the usual security risks found in these systems<sup>31</sup>.

Currently, about 5.6 million merchants are already using QRIS<sup>32</sup>, and Bank Indonesia expects to onboard a total of 12 million MSMEs into the digital payments ecosystem by the end of 2021<sup>33</sup>, including through the use of incentives such as a waiver of merchant discount rate (MDR) fees for micro and small enterprises until 31 March 2021<sup>34</sup>.

“The COVID-19 pandemic has undoubtedly accelerated digital adoption and digital payments in Indonesia, but we are only at the beginning of unlocking the full potential of Indonesia's digital economy. Even as we look forward to exploring the numerous untapped opportunities that this development presents, industry players must look to safeguard themselves from cyber attacks and data breaches to prevent malicious actors from undermining our digital ecosystem.”

**Brian Indradjaja**  
Technology, Media &  
Telecommunications Industry Leader,  
Deloitte Indonesia



<sup>28</sup> “Peluang Ekonomi RI Terbuka Lebar, Ini Alasannya”. Kontan. 15 December 2020.

<sup>29</sup> “Transaksi Pembayaran Digital Melonjak Selama Pandemi, Capai 15 T per Bulan”. Kumparan. 19 November 2020.

<sup>30</sup> “The accelerating digital payments landscape in Indonesia”. Deloitte. 2020.

<sup>31</sup> “Interview with Ricky Satria and Ronggo Yudha of the Payment System Monitoring and Policy (DKSN)”. Bank Indonesia. December 2020.

<sup>32</sup> “Interview with Ricky Satria and Ronggo Yudha of the Payment System Monitoring and Policy (DKSN)”. Bank Indonesia. December 2020.

<sup>33</sup> “BI Target 12 Juta Pelaku UMKM Terhubung ke Sistem Pembayaran Digital di 2021”. Merdeka. 7 December 2020.

<sup>34</sup> “Merchant Discount Rate QRIS UMKM Masih Gratis hingga Maret 2021”. SINDO News. 17 December 2020.

- **Health care**

One other sector that also experienced rapid digital transformation was the health care sector. Although already commonplace in Indonesia even before the COVID-19 outbreak, the use of telemedicine took off during the pandemic as patients sought to reduce the amount of physical contact that they were having with their doctors and other caregivers. During the pandemic, usage of telemedicine applications surged by about 15 times of their pre-pandemic levels<sup>35</sup>.

While the majority of telemedicine players in the market are start-ups, several large hospitals have also launched their own teleconsultation services, or online outpatient services<sup>36</sup>. This rapid growth has not escaped the attention of the government, who has acknowledged in the need to further develop and regulate the sector<sup>37</sup>.

“The Indonesian consumer is becoming ever more discerning – and this discernment also applies to their health care choices. Increasingly, they expect comfort, convenience, and flexibility in their consumption of health care services, and telemedicine is one way in which health care providers can deliver this. But beyond the consumer experience, telemedicine could also become an important component for the universalisation of health care in Indonesia. Collaboration between stakeholders, including but not limited to health care providers, insurance companies, and the government will be crucial to enabling this.”

**Steve Aditya,**  
**Life Sciences & Health Care**  
**Industry Leader,**  
**Deloitte Indonesia**



<sup>35</sup> “Layanan Telemedicine Diprediksi Tetap Berkibar Usai Pandemi Berakhir”. Katadata. 25 August 2020.

<sup>36</sup> “Major Indonesia hospitals go digital to tap into growing telemedicine market”. The Jakarta Post. 20 May 2020.

<sup>37</sup> “BPPT: Telemedicine untuk Tekan COVID-19 RI di Indonesia Belum Sempurna”. CNN Indonesia. 3 August 2020.



# Looking ahead

Although Indonesia has begun the rollout of its mass vaccination program in January 2021, achieving its goal of herd immunity may still be some time away: the government estimates that the vaccination program will take around 15 months to complete<sup>38</sup>. In at least the short term, businesses must therefore continue to navigate the challenges posed by containment measures, including health protocols, testing requirements, border closures, and other movement restrictions.

There are, however, little pockets of opportunity even in this difficult time. For example, the increased health-consciousness of consumers induced by the pandemic is creating a stronger demand for healthier products that companies can leverage. At the same time, the acceleration of digital transformation and digital consumer behaviours during the course of the pandemic is also likely to result in permanent shifts in the way consumers and businesses conduct their transactions, and open up a whole new world of untapped opportunities in the digital economy.

Depending on their unique circumstances and the sector in which they operate, each organisation is likely to face a different set of challenges. This means that companies need to be adept at translating these macro trends in the environment into specific implications for their own businesses, and take into consideration their own risk profiles as they redesign their businesses for the post-pandemic world.

Ultimately, however, much of Indonesia's recovery also depends on the recovery of the rest of the world. We live in an interconnected world, and trade and economic activity can only take off when most, if not all, of the players are active participants. In this respect, Indonesia should also look towards greater multilateral cooperation, including with other economies in Southeast Asia and the wider Asia Pacific region, to advance our collective goals for development.



<sup>38</sup> "Kemenkes: Bukan 3,5 tahun, proses vaksinasi Corona di Indonesia butuh waktu 15 bulan". Kontan. 3 January 2020.

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